

***Retarded Citizens  
Can Be Helped!***

## **ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

### **Financial Report Year Ended June 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/5/08

**T.S. KEARNS & CO.**  
**CPA**

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**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

Independent Auditor's Report on Financial Statements  
As of and for the years ended June 30, 2007 and June 30, 2006

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## **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. John Association for Retarded Citizens, Inc.  
LaPlace, Louisiana

We have audited the accompanying statement of financial position of the St. John Association for Retarded Citizens, Inc. (a nonprofit corporation), as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. John Association for Retarded Citizens as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2007, on our consideration of the St. John Association for Retarded Citizen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in cursive script, appearing to read "T.S. Kearns &amp; Co.", written over a horizontal line.

Thibodaux, Louisiana  
November 26, 2007

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS**  
**LaPlace, Louisiana**  
**Statement of Financial Position**  
**June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 1,019,645	\$ 689,304
Contract Receivables	91,147	114,796
Ad Valorem Tax Receivable	17,415	53,798
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 1,128,207</b>	<b>\$ 857,898</b>
<b>PROPERTY AND EQUIPMENT:</b>		
Nondepreciable assets:		
Land	\$ 50,412	\$ 50,412
Depreciable assets:		
Land Improvements	39,449	39,449
Building & Improvements	102,525	94,305
Equipment, Furniture & Fixtures	97,078	83,623
Vehicles	140,922	140,922
Accumulated Depreciation	(215,782)	(188,484)
<b>TOTAL PROPERTY &amp; EQUIPMENT</b>	<b>\$ 214,604</b>	<b>\$ 220,227</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,342,811</b>	<b>\$ 1,078,125</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 9,780	\$ 8,746
Accrued payroll	7,399	5,629
Short term portion of long term obligations	1,923	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 19,103</b>	<b>\$ 14,375</b>
<b>LONG TERM LIABILITIES:</b>		
Capital lease obligation	\$ 8,536	\$ -
<b>TOTAL LONG TERM LIABILITIES</b>	<b>\$ 8,536</b>	<b>\$ -</b>
<b>NET ASSETS:</b>		
Unrestricted		
Undesignated	\$ 1,100,568	\$ 843,523
Board Designated	-	-
Fixed Assets	214,604	220,227
<b>TOTAL NET ASSETS</b>	<b>\$ 1,315,172</b>	<b>\$ 1,063,750</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$ 1,342,811</b>	<b>\$ 1,078,125</b>

The accompanying notes are an integral part of these financial statements.

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS****LaPlace, Louisiana****Statement of Activities****Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUES AND SUPPORT:</b>		
Contract Revenues - Department of Health and Hospitals	\$ 20,496	\$ 102,001
Contract Revenues - DHH - Medicaid	819,994	836,841
Contract Revenues - Betr-Care	44,632	42,761
Contract Revenues - Res-Care	48,236	49,000
Ad Valorem Tax	176,074	222,444
Client Contracts	48,140	36,063
Indirect Public Support	8,551	10,541
Contributed Facilities	42,000	42,000
Client Lunches	11,212	10,551
Dues	510	560
Other	798	993
Gain on sale of assets	-	2,100
Interest Earnings	<u>9,054</u>	<u>7,052</u>
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>\$ 1,229,696</b>	<b>\$ 1,362,907</b>
<b>EXPENSES:</b>		
Program Services		
Adult Habilitation Program	\$ 471,929	\$ 538,771
Personal Care Attendant Service Program	451,093	656,985
Supporting Services		
Management and General	<u>55,253</u>	<u>45,201</u>
<b>TOTAL EXPENSES</b>	<b>\$ 978,275</b>	<b>\$ 1,240,956</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ 251,422</b>	<b>\$ 121,950</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>941,800</u>	<u>941,800</u>
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 1,193,222</u></u>	<u><u>\$ 1,063,750</u></u>

The accompanying notes are an integral part of these financial statements.

## ST. JOHN ASSOCIATION FOR RETARDED CITIZENS

LaPlace, Louisiana

## Schedule of Functional Expenses

Years Ended June 30, 2007 and 2006

	2007				2006			
	PROGRAM SERVICES		SUPPORTING SERVICES		PROGRAM SERVICES		SUPPORTING SERVICES	
	Adult Habilitation Program	Personal Care Attendant Service	Management and General	TOTALS	Adult Habilitation Program	Personal Care Attendant Service	Management and General	TOTALS
Compensation and Related Expenses								
Compensation:								
Staff	\$ 227,900	\$ 368,451	\$ 50,930	\$ 647,282	\$ 228,842	\$ 554,230	\$ 35,969	\$ 819,041
Clients	28,188			28,188	28,561			28,561
Employee Benefits - health insurance	14,101	2,073		16,174	14,854	196	1,486	16,536
Payroll taxes	21,272	34,398		55,670	18,816	61,487	2,752	73,066
Worker's compensation insurance		18,215		18,215	894	30,027		30,921
Conference and Training	1,405	215	1,367	2,987	480	918		1,398
Client Lunches	18,904			18,904	16,327			16,327
Depreciation	27,108	190		27,298	28,086	346		26,432
Dues			1,154	1,154			575	575
Insurance	2,431			2,431	81,907	2,590	1,650	83,557
Medicaid billing software & support		2,200		2,200				2,590
Occupancy:								
Utilities	15,778	451		16,230	14,519	415		14,934
Maintenance	7,268			7,268	16,197			16,197
Rent	40,833	1,167		42,000	40,833	1,167		42,000
Professional Services	10,546	3,266		13,814	10,785	546		11,331
Supplies:								
Operating	6,200	658		6,858	5,594	326		5,920
Office	11,018	8,002	221	19,241	3,590	8,704		10,293
Telephone	3,079	5,576		8,655	3,021	3,483		6,503
Transportation expense	32,978			32,978	25,535			25,535
Travel		4,216		4,216		1,944		1,944
Interest expense	578			578				
Other	2,339	2,013	1,581	5,933	1,930	2,596	2,769	7,296
TOTAL EXPENSES	\$ 471,929	\$ 451,093	\$ 55,253	\$ 978,275	\$ 538,771	\$ 656,985	\$ 45,201	\$ 1,240,957

The accompanying notes are an integral part of these financial statements.

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS**  
**LaPlace, Louisiana**  
**Statement of Cash Flows**  
**Years Ended June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) In Net Assets	\$ 251,422	\$ 121,950
Adjustments To Reconcile Increase In Net Assets		
To Cash Provided By Operating Activities:		
Operating Activities:		
Depreciation	27,298	26,432
Loss on Disposal of Equipment	-	-
(Increase) Decrease in Operating Assets		
Receivables	60,032	18,286
Increase (Decrease) In Operating Liabilities		
Accounts Payable and Accrued Liabilities	<u>4,729</u>	<u>(34,451)</u>
<b>NET CASH PROVIDED (USED)</b>		
<b>BY OPERATING ACTIVITIES</b>	<b>\$ 343,480</b>	<b>\$ 132,217</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	<u>(21,675)</u>	<u>(3,236)</u>
<b>NET CASH PROVIDED (USED)</b>		
<b>BY INVESTING ACTIVITIES</b>	<b>\$ (21,675)</b>	<b>\$ (3,236)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from capital lease obligation	<u>8,536</u>	<u>-</u>
<b>NET CASH PROVIDED (USED)</b>		
<b>BY OPERATING ACTIVITIES</b>	<u>8,536</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 330,341</b>	<b>\$ 128,981</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>\$ 689,304</b>	<b>\$ 560,323</b>
<b>CASH AT END OF YEAR</b>	<b><u>\$ 1,019,645</u></b>	<b><u>\$ 689,304</u></b>

The accompanying notes are an integral part of these financial statements.



# **ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

**LaPlace, Louisiana**

**Notes to the Financial Statements**

**For the Years Ended June 30, 2007 and 2006**

## **INTRODUCTION**

St. John Association For Retarded Citizens (a nonprofit corporation) operates a day developmental work-training center as well as a personal care attendant service. The day developmental work-training center trains the mentally and physically handicapped citizens over 22 years of age of the parish. The areas of training are geared toward helping the individuals adjust to society. The Organization also provides free transportation for all activities including daily instruction classes. The personal care attendant service provides twenty-four hour a day in-home care by trained workers and is available for mentally handicapped citizens of all ages and the elderly.

## **NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader. The financial statements of St. John Association For Retarded Citizens (a nonprofit corporation) have been prepared on the accrual basis; therefore, certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

### **A. BASIS OF PRESENTATION**

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit organizations, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 2007 or 2006. In addition, the Organization is required to present a statement of cash flows.

### **B. PROPERTY AND EQUIPMENT**

Capital assets purchased or acquired with an original cost of \$200 or more and with an initial useful life that extends beyond one year are capitalized. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding

# **ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

**LaPlace, Louisiana**

**Notes to the Financial Statements**

**For the Years Ended June 30, 2007 and 2006**

how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings & improvements	10-39 years
Land improvements	15 years
Equipment, furniture & fixtures	5-20 years
Vehicles	5 years

No salvage value is recorded. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

## **C. CONTRIBUTIONS**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## **D. CONTRACTS RECEIVABLE**

Management believes that all contracts receivable at year-end are fully collectible; therefore, no allowance for doubtful accounts is recorded.

## **E. CASH AND EQUIVALENTS**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2007 or 2006.

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**LaPlace, Louisiana**  
**Notes to the Financial Statements**  
**For the Years Ended June 30, 2007 and 2006**

**F. FUNCTIONAL EXPENSES**

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on various criteria.

**G. ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE II CASH AND CASH EQUIVALENTS**

At June 30, 2007 and 2006, the Organization had cash and cash equivalents (collected bank balances) totaling \$1,046,227 and \$726,437, respectively. These deposits are stated at cost, which approximates market. These deposits are secured from risk by federal depository insurance or pledge of securities owned by the fiscal agent bank.

**NOTE III CONTRIBUTED SERVICES**

The Organization receives donated services from a variety of unpaid volunteers during the year. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

**NOTE IV CONTRIBUTED FACILITIES**

The Organization occupies a parish government owned building located at 101 Bamboo Street, Laplace, Louisiana under an agreement with the St. John the Baptist Parish Council at no charge. The Organization pays all maintenance, insurance, and improvements. The approximate fair value of the annual rental for the years ended June 30, 2007 and 2006 is \$42,000.

# ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

LaPlace, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2007 and 2006

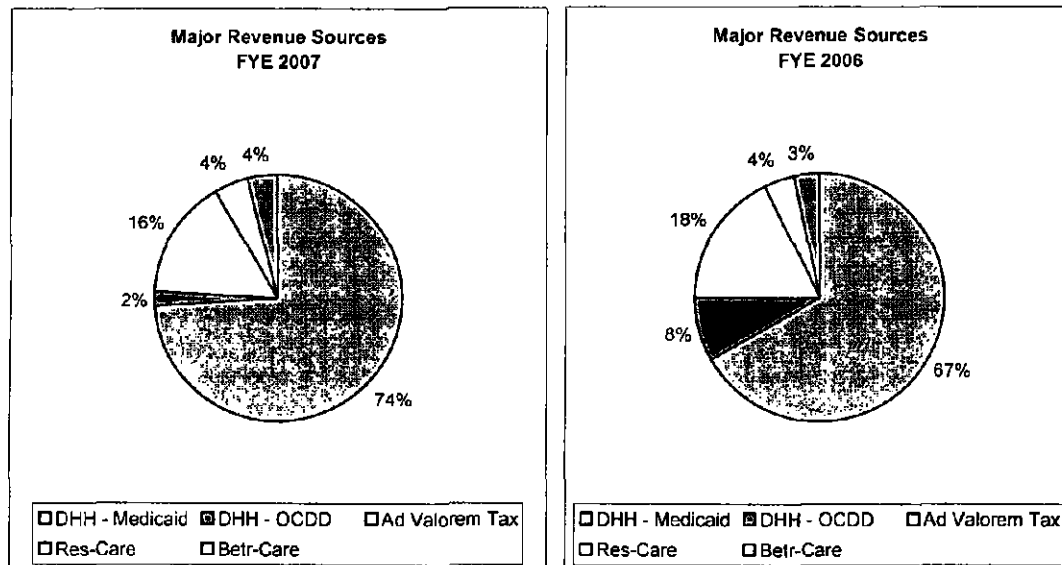
## NOTE V CONTRACT REVENUES

The Organization receives payment under a contract with the Office for Citizens with Development Disabilities, Department of Health and Hospitals to provide vocational and habilitation services to two clients. The contract was for the fiscal year ended June 30, 2007, and in a maximum agreement amount of \$11,508. Under the contract, the Department of Health and Hospitals agreed to pay \$28 per day.

The Organization also entered into a contract with Betr-Care, Inc. and Res-care, Inc. (residential providers) to provide day training at \$30.00 and \$28.00 per client day, respectfully. The contract with Betr-Care, Inc. was for the period June 30, 2000 and will last indefinitely, or until either party decides to terminate by giving written notice of thirty (30) calendar days. The training provided is explained in the preceding paragraph. The contract with Res-Care, Inc. was effective January 1, 1993, and will last indefinitely, or until either party decides to terminate by giving written notice of thirty (30) calendar days. The training provided is explained in the preceding paragraph.

The Organization also receives revenues for providing training and daycare to Medicaid clients.

The following graphs depict a breakdown of major sources of revenues earned in fiscal years ended June 30, 2007, and 2006.



**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

LaPlace, Louisiana

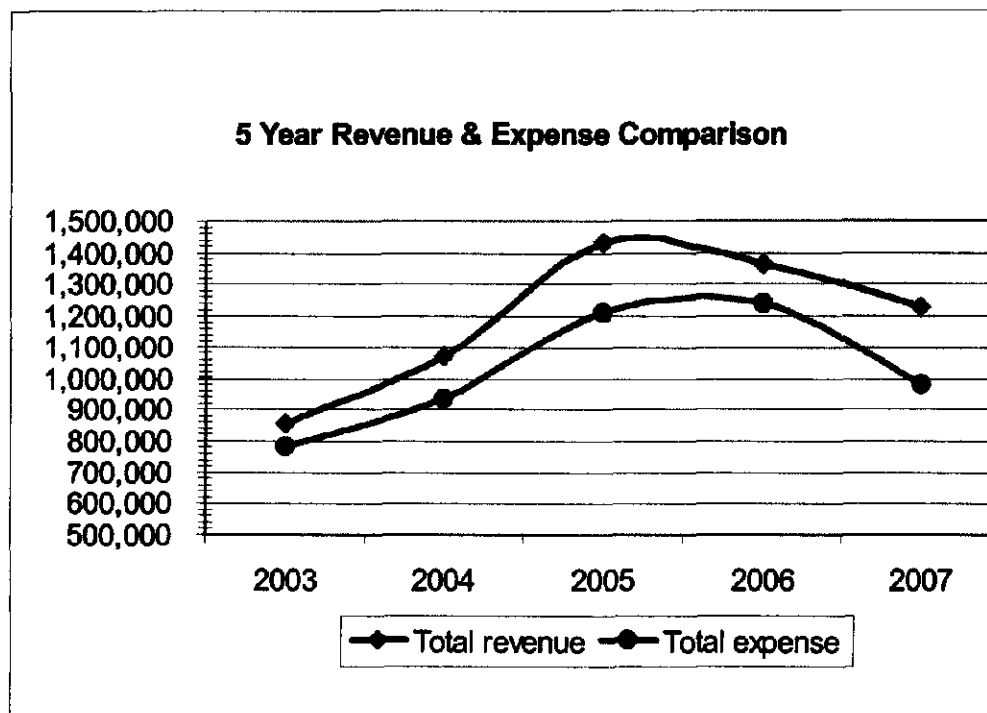
**Notes to the Financial Statements****For the Years Ended June 30, 2007 and 2006****NOTE VI CONTRACT RECEIVABLES**

Contract receivables consists of services provided but not yet paid as of June 30, 2007. Contract receivables is made up of the following:

	2007	2006
State of Louisiana (OCDD & Medicaid)	\$ 69,408	\$ 92,817
Betr-Care, Inc.	9,149	8,371
Res-Care, Inc.	7,168	10,024
Client Contract	4,187	2,479
St. John Parish Council - lunches	1,235	1,105
	<u>\$ 91,147</u>	<u>\$114,796</u>

**NOTE VII COMPARISON OF REVENUE AND EXPENSES**

The following graph shows a five-year comparison of total revenue and total expenses for St. John ARC for the fiscal years ended June 30, 2007, 2006, 2005, 2004 and 2003.



**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

**LaPlace, Louisiana**

**Notes to the Financial Statements**

**For the Years Ended June 30, 2007 and 2006**

**NOTE VIII FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS**

The St. John ARC extends a substantial amount of credit to several non-profit and state agencies such as the Louisiana Department of Health and Hospitals. The ARC has determined that the financial standing and reputation of these organizations reduces the risk of non-payment to very low.

**NOTE IX INCOME TAX STATUS**

St. John Association For Retarded Citizens is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**NOTE X CONCENTRATIONS**

The Organization depends on the State of Louisiana, Department of Health and Hospitals for approximately 68% of its revenues for operation.

If significant budget cuts are made at the state level, the amount of funds the Organization receives would be significantly reduced and have an adverse affect on operations. Management is not aware of any events that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

**NOTE XI PROPOSITION I**

Proposition I was passed by the citizens of St. John the Baptist Parish on April 3, 1993. Proposition I allows the Parish to incur debt and issue bonds to the amount of Five Hundred Thousand Dollars (\$500,000) to run fifteen (15) years from the date thereof, with interest at a rate not exceeding nine per centum (9%) per annum, for the purpose of acquiring, constructing, improving and renovating public buildings to house a work training center for mentally retarded and developmentally disabled persons, title to which shall be in the public. The bonds will be general obligations of the Parish and payable from ad valorem taxes to be levied and collected in the manner provided by Article VI, Section 33 of the Constitution of the state of Louisiana of 1974, and statutory authority supplemental thereto. St. John Association For Retarded Citizens occupied the public building in January 1995.

**NOTE XII PROPOSITION II**

Proposition II was passed by the citizens of St. John the Baptist Parish on April 3, 1993. Proposition II allows St. John the Baptist Parish to levy a one-half (1/2) mill tax on all the property subject to taxation within said Parish for a period of ten

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**

**LaPlace, Louisiana**

**Notes to the Financial Statements**

**For the Years Ended June 30, 2007 and 2006**

(10) years beginning with the year 1993 and ending with year 2002. In 2002, Proposition II was renewed and will levy a one (1) mill tax on all the property subject to taxation within St. John the Baptist Parish for a period of ten (10) years beginning with the year 2003 and ending with year 2012, for the purpose of maintaining and operating public building used to house mentally retarded persons (including payment of salaries and costs of conducting training programs for the mentally retarded and developmentally disabled citizens).

**NOTE XIII RISK MANAGEMENT**

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee accident and health benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2007.

**NOTE XIV GROUP LIFE & DISABILITY INSURANCE**

The ARC offers group life and disability insurance plans for its employees. Employees must meet certain criteria in order to be eligible for the programs. The employee must work at least 30 hours a week and have been employed by the ARC for at least 6 months. The plans are administered by American Heritage Life Insurance and are fully funded by the employee.

**NOTE XV COMPENSATED ABSENCES**

On July 1<sup>st</sup>, full-time, salaried, Adult habilitation and Personal Care Attendant Service program employees receive 12 days and 20 days of leave, respectively. These days are to cover any personal leave. Leave must be taken by June 30<sup>th</sup> of that fiscal year or leave is lost. There is no material accumulated leave at June 30, 2007 and 2006 and accordingly, the financial statements do not include a provision for compensated absences.

**NOTE XVI LITIGATION AND CLAIMS**

At June 30, 2007 and 2006, the St. John Association for Retarded Citizens, Inc. had no litigation or claims pending.

## **Reports by Management**



**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**LaPlace, Louisiana**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2007**

**Section I – Internal Control and Compliance material to the financial statements:**

There were no findings reported.

**Section II – Management Letter**

There was no management letter issued.

**ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.**  
**LaPlace, Louisiana**  
**Corrective Action Plan for Current Year Audit Findings**  
**For the Year Ended June 30, 2007**

**Section I – Internal Control and Compliance material to the financial statements:**

There are no findings required to be reported.

**Section II – Management Letter**

A management letter was issued. See page 18 for more information.

**Special Reports of  
Certified Public Accountants**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
St. John Association for Retarded Citizens, Inc.  
LaPlace, Louisiana

We have audited the financial statements of the St. John Association for Retarded Citizens, Inc. (a nonprofit corporation), as of and for the years ended June 30, 2007 and 2006, and have issued our report thereon dated November 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered St. John Association for Retarded Citizens' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material

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**TIMOTHY S. KEARNS**  
MASTER OF BUSINESS ADMINISTRATION  
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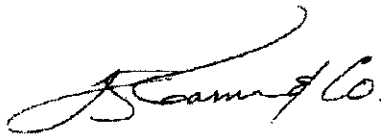
weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. John Association for Retarded Citizens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of St. John Association for Retarded Citizens in a separate letter dated November 26, 2007.

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, and the Louisiana State Planning Council on Development Disabilities and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



November 26, 2007



**Management Letter**

**To the Management and  
The Board of Directors of  
St. John Association for Retarded Citizens**

In planning and performing our audit of the financial statements of St. John Association for Retarded Citizens (the ARC) for the year ended June 30, 2007, we considered the ARC's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of one matter that is an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the ARC's internal control in our report dated November 26, 2007). This letter does not affect our report dated November 26, 2007, on the financial statements of the St. John Association for Retarded Citizens.

We will review the status of this comment during our next audit engagement. We have already discussed this suggestion with ARC personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comment is summarized as follows:

The cash balance at June 30, 2007 was \$1,049,645 with \$790,955 held in checking accounts offering zero or 0.05% interest rates. Our review indicated that the cash balances during the fiscal year were far in excess of normal operating requirements. Maximum investment of excess funds in interest-bearing instruments, such as certificates of deposit, high yield money market or savings accounts, would have provided significant additional interest earnings during the fiscal year.

In reviewing the above items with management, they agree with the suggestions presented here and will work towards implementing these recommendations.

We wish to thank the Board, Director, and other employees of the St. John ARC for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read "T.S. Kearns &amp; Co.", written over a horizontal line.

November 26, 2007